



## RELATED PARTY TRANSACTIONS POLICY

As amended on 18 May 2021

### I. INTRODUCTION

**1. Overarching Policy.** Alliance Global Group, Inc. (“the Company”) recognizes that related party relationships are normal in commerce and business, and transactions between and among related parties (“RPTs”) create financial, commercial and economic benefits to parties and/or to the entire group where they belong. In this regard, the Company allows RPTs provided these are entered as follows:

- at arm’s length, which must be on terms no less favorable than any such terms offered by, nor more favorable than any such terms given to, unrelated third parties under the same or similar transactions or circumstances;
- in compliance with applicable laws, rules and regulations and the requirements in this Policy; and
- inure to the best interest of the Company where no Stakeholder is unduly disadvantaged.

Towards this end, the Company adopts a group-wide Material RPT Policy encompassing all entities within the conglomerate, taking into account its size, structure, risk profile and complexity of operations. It provides a mechanism for the identification, review, approval and reporting of RPTs, and the determination, monitoring and management of Material RPT in compliance to the Material RPT Rules mandated in Securities and Exchange Commission (“SEC”) Circular No. 10-2019.

Through this Policy, the Company, its Subsidiaries and Associates endeavor to enhance transparency in its transactions and promote the best interest of its shareholders and other stakeholders.

### 2. SCOPE

This RPT Policy applies to all RPTs between and among the Company and its Related Parties. It provides the general guidelines to be observed in relation to Material RPTs.

Material RPTs that were entered into with an unrelated party that subsequently becomes a Related Party may be excluded from the limits and approval process required in the Policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a Related Party shall subject the Material RPT to the requirements of this Material RPT rules. The prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for

transactions noted to have not been conducted on an arm's length basis.

## II. DEFINITION OF TERMS

For purposes of this Policy, the following definitions shall apply.

**Related Party Transaction ("RPT")** - a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. It may include outstanding transactions that are entered into with an unrelated party that subsequently becomes a Related Party.

It could be any of, but not limited to, the following:

- a. Purchases or sales of goods (finished or unfinished), property and other assets, including transfer of technology and intangible items (like research and development, trademarks, license agreements)
- b. Rendering or receiving of services;
- c. Leases;
- d. Borrowings and fund transfers;
- e. Provisions of guarantees or collateral;
- f. Commitments or contingencies;
- g. Settlement of liabilities on behalf of the Company or Related Party.

The following shall be **exempt** from the RPT evaluation process under this Policy, provided it does not meet the Materiality Threshold, but still require regular summarization by Accounting and may require reporting to the Board of Directors:

- a. Transactions available to all employees in general;
- b. Occasional purchases of products/services for personal consumption only and of minimal amount, made in the ordinary course of the seller's business;
- c. Occasional pre-approved purchases of products/services by the Company from its affiliates or Subsidiaries;
- d. Compensation payments to employees.

**Abusive Material RPT** – refers to Material RPTs that are not entered at arm's length and unduly favor a Related Party.

**Material RPT** – any RPT, either individually, or in aggregate over a twelve (12)-month period with the same Related Party, that crosses the Materiality Threshold.

**Materiality Threshold** – ten percent (10%) of the Company's total consolidated assets based on its latest audited financial statements.

**Related Party/ies** – refers to the following person/s or entity/ies:

- a. The Company's directors, Officers or key management personnel, Substantial Shareholder ("**DOS**") and related interests ("**DOSRI**"); or
- b. The Company's DOS's spouse and relative within the fourth civil degree of consanguinity or affinity, legitimate or common-law, who have Control or joint control or Significant Influence over the Company. Dependents of the DOS or the DOS's spouse or domestic partner are included.

Legitimate or common-law relatives within the **fourth civil degree of consanguinity or affinity** are anyone of the persons' or of the spouses' (legitimate or common-law): children and parents (first degree); siblings, grandchildren, grandparents (second degree); nephews and nieces, uncles and aunts, great grandchildren, great grandparents (third degree); first cousins, great uncles and aunts, great-great grandparents, great-great grandchildren (fourth degree).

- c. The Company's parent, Subsidiaries, Associates, Affiliates, fellow subsidiary, or joint venture (including all these entities' own Subsidiaries, Associates, Affiliates, special purpose entities, and DOSRI), or
- d. An entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a Related Party.

**Affiliate** – refers to an entity directly or indirectly linked to the Company through one or combination of any of the following:

- a. Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a company of at least ten percent (10%) or more of the outstanding voting stock of the Company, or vice versa;
- b. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
- c. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity; or
- d. Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the entity, or vice-versa;

**Associate** – an entity, including its Subsidiaries, over which the Company or another entity has Significant Influence.

**Conflict of interest** – a set of circumstances that creates a risk that professional judgment or actions regarding a primary interest will be unduly influenced by a secondary interest.

**Control** – a person or an entity controls another entity if and only if such person or entity has all of the following:

- a. Power over the other entity;
- b. Exposure, or rights, to variable returns from its involvement with the other entity;
- c. The ability to affect those returns through its power over the other entity.

All facts and circumstances shall be considered in assessing Control, and not merely the voting rights granted by equity instruments held. For example, power over the entity (or the ability to direct its relevant activities) can result from one or more contractual arrangements. Sufficient facts should be provided to show that there is indeed no control.

**Fellow subsidiary** – means an entity and the Company are members of the same group.

**Key Management Personnel** – persons that have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

**Officers** - include, but not limited to, the Company's President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Compliance Officer, Corporate Secretary, Chief Risk Officer, Chief Audit Executive, and all other officers provided in the Company's by-laws or identified by the entity.

**Parent** – an entity that exercises Control over another entity.

**Related Party Registry** – a record of the organizational and structural composition, including any change thereon, of the Company and its Related Parties.

**RPT Committee** – the Board Committee tasked to review and evaluate Material RPTs; it is composed of at least three (3) directors, two of whom are independent, including the Chairman.

**Significant Influence** – the power to participate in the financial and operating policy decisions of an entity (called, "Associate") but has no control or joint control of those polices. Significant influence is presumed when the Company holds, directly or indirectly (eg. through subsidiaries), twenty percent (20%) or more of the voting power of an entity, unless it can be clearly demonstrated that this is not the case. The existence of significant influence is usually evidenced in one or more of the following ways:

- a. Representation in the board of directors;
- b. Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- c. Material transactions between the Company and the other entity;
- d. Interchange of managerial personnel; or
- e. Provision of essential technical information.

**Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the Company's strategies, policies, business decisions and operations, in general which include, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

**Substantial Shareholder** – any person who is the beneficial owner, directly or indirectly, of more than ten percent (10%) of any class of the Company's equity security. A person is deemed to have an **indirect beneficial ownership** in a security which is:

- a. Held by members of his immediate family sharing the same household;
- b. Held by a partnership in which he is a general partner;
- c. Held by a corporation in which he is a controlling shareholder;
- d. Subject to any contract, arrangement or understanding which gives him voting power or investment power with respect to such securities.

**Subsidiary** – an entity, including its own Subsidiaries, over which a company directly or indirectly has Control. The controlling entity is referred to as the parent.

### III. GOVERNANCE

**1. Board of Directors.** The Board of Directors has the overall responsibility in ensuring that RPTs are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the Company's shareholders and other stakeholders. Toward this end, it shall carry out the following duties and responsibilities:

- a. **Institutionalize an overarching policy** on the management of Material RPTs to ensure effective compliance with existing laws, rules and regulations at all times and that all Material RPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
- b. **Approve all Material RPTs** that cross the Materiality Threshold and write-off of material exposures to Related Parties, as well as renewal or material changes in the terms and conditions of material RPTs previously approved in accordance with the General Guidelines on Approval of Material RPTs hereof.
- c. **Establish an effective audit, risk and compliance system** to determine, identify and monitor Related Parties and Material RPTs; continuously review and evaluate existing relationships between and among businesses and counterparties; and identify, measure, monitor and control risks arising from material RPTs; hence, the system shall be able to:
  - Define the Related Parties' extent of relationship with the Company;
  - Assess situations in which a non-related party (with whom the Company has entered into a transaction) subsequently becomes a Related Party and vice versa;
  - Generate information on the nature and amount of exposures of the Company to a particular Related Party;
  - Facilitate submission of accurate reports to the regulators/supervisors;
  - Be subject to periodic assessment by the Internal Audit and Compliance Officer, and updated regularly for their sound implementation;
- d. **Oversee** the integrity, independence, and effectiveness of the policies and procedures for **whistleblowing**. The Board should ensure that senior management addresses legitimate issues on Material RPTs that are raised. The Board should take responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

**2. Senior management.** It shall implement appropriate controls to effectively manage and monitor Material RPTs on a per-transaction and aggregate basis. Exposures to Related Parties shall also be monitored on an ongoing basis to ensure compliance with the Company's Policy and SEC regulations.

## IV. GENERAL GUIDELINES

**1. Identification of Related Parties.** The persons and entities that are considered as the Company's Related Parties are clearly identified under the Definition of Terms section of this Policy.

The Board of Directors through the RPT Committee maintains a Related Party Registry, which shall be subject to quarterly review and update in order to capture organizational and structural changes in the Company and its Related Parties. The RPT Committee is assisted in the review and update process by the Company's Chief Financial Officer ("**CFO**"), Corporate Secretary and Legal Counsel.

As of the end of every quarter, the Financial reporting group of Company and each of the Company's major subsidiaries submits a list of its respective Subsidiaries, Associates, and joint ventures to the office of the Company's CFO who uses the same to come out with the names of the Company's Subsidiaries, Associates, and joint ventures that are disclosed in Note 1 to the consolidated financial statements (annual and interim). The Company's Officers and Substantial Stockholders are reported in the Company's Annual Report and other regulatory reports, in accordance with applicable Philippine financial reporting standards and regulatory requirements.

**2. Identification and Prevention or Management of Potential or Actual Conflicts of Interest Which May Arise.** This RPT Policy echoes the general policy statement under the Company's Code of Business Conduct and Ethics that: all employees, senior management and directors are required to immediately disclose any relationship or association to a proposed supplier or contractor or its authorized representative to avoid conflict of interest. They are prohibited from using their authority or position to profit or gain some benefit or advantage for themselves and/or their related interest.

Regardless of the amount of the transaction or contract, each Director, Officer and Key Management Personnel, and Substantial Stockholder is held responsible to: fully and promptly notify the Company of any RPT and the personal interest he/she may have on such RPT (directly or indirectly through or on behalf of third parties, spouses or relatives) as soon as he/she becomes aware of the transaction; and to obtain approval from the Board of Directors prior to entering into the transaction.

He/she shall submit a declaration of the potential RPT to the RPT Committee through the Company's corporate Legal Counsel (or Corporate Secretary, as the case may be), as soon as practicable prior to the occurrence or execution of such RPT, for evaluation and approval (see Evaluation of RPTs, and Approval of Material RPTs). At minimum, the declaration shall include the following information:

- a. Complete name of the Related Party;
- b. Relationship of the parties;
- c. Expected execution date of the RPT;
- d. Financial or non-financial interest of the Related Parties;
- e. Type and nature of transaction as well as description of the assets involved;
- f. Amount or contract price;
- g. Total assets of the contracting company;

- h. Percentage of the contract price to the total assets;
- i. Carrying amount of collateral, if any;
- j. Terms and conditions;
- k. Rationale for entering into the transaction.

The Director, Officer and Key Management Personnel, or Substantial Stockholder involved shall abstain from discussion, approval and management of such transaction or matter affecting the Company. In case he/she refuses to abstain, his/her attendance and vote shall not be considered for purposes of assessing the quorum and his/her votes shall not be counted for purposes of determining majority approval.

Service providers, suppliers, vendors, customers and other debtors or creditors shall be required to submit a certification that they do not have conflict of interest with the Company.

All approving officers signing contracts, agreements, work orders, purchase orders and sales orders shall be required to issue a disclaimer that they are not related to the counter parties of the proposed transaction.

Management shall be mandated to aggregate, summarize and forward to the RPT Committee through the Legal Counsel (or Corporate Secretary) any report obtained from employees on the employees' conflict of interest.

**3. Ensuring Arm's Length Terms.** The Company puts in place an effective price discovery system and exercises due diligence in determining a fair price for RPTs, to ensure that they are within market standards and no preferential treatment nor more favorable economic terms (eg., price, commissions, interest rates, fees, tenor) are given to Related Parties that are not extended to non-related parties under the same or similar circumstances. This price discovery mechanism could include, but is not limited to, canvassing or bidding process, publishing the property for sale, or acquiring the services of an external expert. The Company may also refer to the OECD Transfer Pricing Guidelines.

Before the execution of the Material RPT, the Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the Material RPTs, including but not limited to, auditing/accounting firms and third-party consultants and appraisers.

**4. Evaluation and Endorsement.** The RPT Committee evaluates on an ongoing basis existing business relationships, in consultation with the Compliance Officer, CFO, Legal Counsel and/or Corporate Secretary.

In evaluating the RPTs, the RPT Committee shall take into account the following:

- a. The Related Party's relationship to the Company and interest in the transaction;
  - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - c. The benefits to the Company of the proposed RPT;
  - d. The availability of other sources of comparable products or services;
- and

- e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Committee resorts to the Company's price discovery system (see Ensuring Arm's Length Terms).

The RPT Committee shall report to the Board of Directors, quarterly or as often as necessary, the status and aggregate exposures to each Related Party as well as the total of all exposures to related parties. Material RPTs shall be endorsed for approval to the Board of Directors before these RPTs are executed (see Approval of Material RPTs below).

**5. Approval of Material RPTs.** All individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Company's Board of Directors, with at least a majority of the independent directors voting to approve the same. In case that majority of the independent directors' vote is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. For aggregate RPT transactions within a twelve (12)-month period that breaches the Materiality Threshold, the same Board approval would be required for the transaction/s that meets and exceeds the Materiality Threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

**6. Threshold Adjustment.** The Company can set a threshold lower than the Materiality Threshold when the Board of Directors determines that the level of risk of the RPT can cause damage to the Company and its shareholders.

**7. Existing Material RPTs with Previously Unrelated Party/ies.** Material RPTs that were previously entered into with unrelated party that subsequently becomes a Related Party may be excluded from the limits and approval process required in this Policy. However, any alteration to the terms and conditions, or increase in exposure level, related to the transaction after the unrelated party becomes a Related Party shall subject such Material RPTs to the requirements of this Policy. The prospective treatment shall be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

**8. Disclosure and Regulatory Reporting of RPTs.** The RPT Committee shall ensure that timely and appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures.

An Advisement Report on Material RPT shall be filed within three (3) calendar days after the execution date of the transaction, to be signed by the Corporate Secretary or authorized representative. (A copy of the form is attached as Annex A of the Rules per SEC Memorandum Circular No. 10-2019.)



A summary of Material RPTs entered into during the reporting year shall be disclosed in the Company's Integrated Annual Corporate Governance Report to be submitted annually every May 30 or earlier.

The RPT Committee shall ensure that the Company's CFO is provided with a summary of all RPTs for full and timely disclosure in the Company's quarterly and annual financial reports. The RPT committees of each of the Company's subsidiaries are likewise mandated to submit (or ensure submission) to the office of the Company's CFO a summary of RPTs for full and timely disclosure in the Company's consolidated quarterly and annual financial reports to regulatory bodies, in compliance with financial accounting standards and regulatory reporting requirements.

**9. Self-assessment and periodic review of policy.** The Company's internal audit shall conduct an annual review of the effectiveness of the Company's system and internal controls governing material RPT's to assess consistency with the Board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.

The Company's Compliance Officer ("**CO**") shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. The CO shall aid in the review of the Company's transactions and identify any potential Material RPT that would require review by the Board, and shall ensure that this RPT policy is kept updated annually and is properly implemented throughout the Company.

**10. Amendments in the Policy and Procedures.** Any change in this Policy and procedures shall be subject to review and endorsement by the RPT Committee to the Board of Directors, be approved by majority of the Board of Directors and ratified by majority of the stockholders constituting a quorum.

**11. Whistle Blowing Policy.** The Company shall encourage all stakeholders to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable Material RPTs. All matters concerning reports of wrong doing shall be governed by the Company's Whistle Blowing Policy.

**12. Remedies for Abusive Material RPTs.** Any person responsible for practicing Abusive Material RPTs shall be subject to procedures and penalties under the Company's Code of Business Conduct & Ethics and any relevant and applicable laws and regulations.

## **V. EFFECTIVITY**

This Amended policy shall take effect immediately upon approval of the Company's Board, and shall supersede existing policies and guidelines in conflict with this Policy.

This Amended Policy shall be submitted to the SEC on or before 24 May 2021 and posted in the Company's website within five (5) days from the said submission.

**SIGNATURES**

**ALLIANCE GLOBAL GROUP, INC.**

By:

**(SGD.) Andrew L. Tan**  
Chairman of the Board

**(SGD.) Dina D.R. Inting**  
Compliance Officer